

Message Text

PAGE 01 TEGUCI 01655 01 OF 04 242055Z

72

ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 SP-02 PM-03 L-01 INR-05 INRE-00

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC IMMEDIATE 9861

S E C R E T SECTION 1 OF 4 TEGUCIGALPA 1655

LIMDIS

DEPT FOR ARA/CEN - DAVID LAZAR

E.O. 11652: GDS

TAGS: PFOR, PINT, HO

SUBJECT: CASP COMMENTS

REF: SANCHEZ-LAZAR CORRESPONDENCE

THE FOLLOWING ARE THE MISSION'S COMMENTS ON QUESTIONS POSED
IN THE ENCLOSURE TO APRIL 1 LETTER.

1. SUMMARY OF INTERESTS, PAGE 1

PARA. 1 - ACCEPT CHANGE.

PARA. 2 - SUBSTITUTE FOLLOWING: "THE USG IS PRIMARILY
CONCERNED THAT THE GOH REMAIN FRIENDLY TO THE UNITED
STATES, THAT IT NOT THREATEN OUR INTERESTS AND NOT CREATE
A THREAT TO CENTRAL AMERICAN STABILITY. ONE OF THE MAIN
CONSIDERATIONS INVOLVING STABILITY IN THE AREA IS THE
RESOLUTION OF THE DISPUTE BETWEEN HONDURAS AND EL SALVADOR."

2. ISSUE NO. 1, IMPORTANT ASSUMPTIONS, PAGE 7

THE FAILURE OF THE CABINET TO RATIFY THE BATRES-BORGONOVO
AGREEMENT AND LAST YEAR'S DEVELOPMENTS DO NOTHING TO
ALTER THE FACT THAT "THE GOH WILL CONTINUE TO COOPERATE
WITH SALVADORAN OFFICIALS IN AN EFFORT TO AVOID BORDER
INCIDENTS" AND THAT THE GOH IS STILL "PUBLICLY COMMITTED
SECRET

PAGE 02 TEGUCI 01655 01 OF 04 242055Z

TO A PEACEFUL SOLUTION..." THE REASONS FOR THAT FAILURE
WERE SET FORTH FULLY IN EMBASSY REPORTING AT THE TIME.
ASSUMPTION 5 IS ACCURATE.

3. REASONS FOR RECOMMENDATIONS, PAGE 8

ADDITIONAL PHRASE UNNECESSARY.

4. ISSUE NO. 2

THE INTENT OF RECOMMENDATION NO. 2 IS NOT TO ENCOURAGE THE HONDURAN ARMED FORCES TO MAKE MORE PURCHASES. WHAT WE ARE SAYING IS THAT THE FMS CREDIT LEVEL SHOULD BE MAINTAINED AT A SUFFICIENT LEVEL TO MEET THE HAF NEEDS AS THEY ARISE SO THAT THEY ARE NOT FORCED INTO SEEKING THIRD COUNTRY SOURCES.

THE F-86 TRANSFER IS PERCEIVED BY THE HAF AS PART OF THE "EVENHANDEDNESS" POLICY EVEN THOUGH IT HAS BEEN REPEATEDLY EXPLAINED TO THEM THAT THE "EVENHANDEDNESS" POLICY WAS NOT THE REASON FOR WITHHOLDING THE F-86 LICENSE. HOWEVER, HONDURAN MILITARY OFFICERS STILL CONSTITUTE THE ORIGINAL U.S. POSITION AS A VIOLATION OF "EVENHANDEDNESS". THE DELAY IN APPROVING THE F-86 TRANSFER GENERATED INTENSE AND ADVERSE FEELINGS AMONG MILITARY OFFICIALS WHICH HAVE BEEN EXTENSIVELY DESCRIBED IN DAO REPORTING. THE MISSION PROPOSES MODIFICATION OF RECOMMENDATION NO. 3 AS FOLLOWS: "POLICIES OR ACTIONS SHOULD BE AVOIDED THAT CAST DOUBT IN THE MINDS OF THE HAF LEADERSHIP ABOUT USG ADHERENCE TO THE POLICY OF "EVENHANDEDNESS" AS STATED IN DECISION MEMORANDUM NO. 11 OF THE FY 1974-75 HONDURAS CASP."

5. REASONS FOR RECOMMENDATIONS

THERE HAS BEEN EXTENSIVE AND DETAILED REPORTING ON THE TRAINING OF HAF OFFICERS IN THIRD COUNTRIES BY TTV MISSION. THESE COUNTRIES INCLUDE ARGENTINA, BRAZIL, GERMANY, ITALY, PANAMA, PERU, THE REPUBLIC OF CHINA AND MEXICO. THE TRAINING COVERED A VARIETY OF FIELDS FROM LOGISTICS TO MAINTENANCE TO A VARIETY OF ADVANCED INFANTRY COURSES. THE ADDITION OF SUCH INFORMATION ON TRAINING AND EQUIPMENT WAS DELETED TO SAVE SPACE AS REQUESTED BY THE CASP INSTRUCTIONS, AND BECAUSE IT IS AVAILABLE IN THE DEPARTMENT IN DIA PUBLICATION, FOREIGN SECRET

PAGE 03 TEGUCI 01655 01 OF 04 242055Z

MILITARY ASSISTANCE (DI-455-1-74).

FOLLOWING THE 1969 WAR WITH EL SALVADOR, HONDURAS SOUGHT TO REPLENISH AND MODERNIZE HER MILITARY EQUIPMENT. SINCE THE US HAD SUSPENDED MAP-M TO BOTH COUNTRIES, HONDURAS PURCHASED F-86'S FROM VENEZUELA, A B-26 FROM COSTA RICA, 120 MM MORTARS AND 105 HOWITZERS FROM SPAIN, MORTARS FROM FRANCE, SMALL ARMS AND OTHER MUNITIONS FROM BELGIUM, MACHINE GUNS FROM NICARAGUA, RIFLES FROM GUATEMALA AND A C-54 FROM PORTUGAL. THE TERMS OF CREDIT SALES OFFERED BY THIRD COUNTRIES VARY DEPENDING UPON THEIR OWN STRATEGIC, MILITARY OR COMMERCIAL INTERESTS. HOWEVER, THE TRADITIONAL DEPENDENCE ON THE US AS A SUPPLIER OF EQUIPMENT COMBINED WITH THE AVAILABILITY OF FMS CREDIT GENERALLY TEND TO

LEAD HONDURAS TO PREFER TO PURCHASE FROM THE US UNLESS
THE THIRD COUNTRY TERMS ARE UNUSUALLY FAVORABLE.

HAF VIEWS, AS STATED BEFORE, HAVE BEEN EXTENSIVELY
REPORTED BY THE MISSION AND THEIR PERCEPTION OF "EVENHANDED-
NESS" HAS NOT ALWAYS COINCIDED WITH OURS. THE PROBLEM
IN THIS AREA BEGAN WITH THE SALVADORAN PURCHASE OF ISRAELI
JETS. HAF OFFICERS THOUGHT THAT THE US WOULD EXERCISE
ITS INFLUENCE WITH ISRAEL TO PREVENT THE INTRODUCTION
OF THE JETS INTO EL SALVADOR. WHEN THE SALE TOOK PLACE,
IT WAS VIEWED BY THE GOH IN THE CONTEXT OF OUR ANNOUNCED
"EVENHANDEDNESS" POLICY. THIS PRE-CONDITIONED IN TURN
THEIR INTERPRETATION OF THE US ACTION IN THE F-86 LICENSING.

THE MISSION WOULD AGREE TO THE REMOVAL OF THE FIRST AND
LAST SENTENCES OF THE "EVENHANDEDNESS" PARAGRAPH ON
PAGE 11 OF THE CASP. THE FOLLOWING SENTENCE SHOULD THEN
BE ADDED AS THE LAST SENTENCE OF THE MODIFIED PARAGRAPH:
"THEREFORE, POLICIES THAT LEAD TO SUCH MISCONCEPTIONS
UNDERMINE MISSION ATTEMPTS TO DEFEND AND EXPLAIN THE TRUE
EXTENT AND NATURE OF THE "EVENHANDEDNESS" POLICY TO THE

SECRET

PAGE 01 TEGUCI 01655 02 OF 04 242105Z

72

ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 SP-02 PM-03 L-01 INR-05 INRE-00

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TO SECSTATE WASHDC IMMEDIATE 9862

S E C R E T SECTION 2 OF 4 TEGUCIGALPA 1655

LIMDIS

DEPT FOR ARA/CEN- DAVID LAZAR

HAF LEADERSHIP." THE QUESTION OF THE NATURE AND USE
OF OUR INFLUENCE WITH THE MILITARY ESTABLISHMENT WAS
TREATED IN THE AMBASSADOR'S LETTER OF APRIL 18.

6. ISSUE NO.3

THE MISSION IS NOT ASSUMING THAT THERE WILL BE POLITICAL
STABILITY IN ANY ABSOLUTE SENSE. WE ARE SAYING THAT THERE
WILL BE SUFFICIENT POLITICAL STABILITY TO PERMIT PROGRESS
IN DEVELOPMENT PROGRAMS WHICH ARE THE SUBJECT OF ISSUE
NO. 3. THE MISSION PROPOSES THE FOLLOWING MODIFICATION
OF ASSUMPTION NO. 2: " DURING THE CASP TIME FRAME, HONDURAS

WILL REMAIN SUFFICIENTLY STABLE POLITICALLY TO ALLOW
PROGRESS IN ITS DEVELOPMENT PROGRAMS, ESPECIALLY RURAL
DEVELOPMENT."

7. HONDURAS AND THE COMMON MARKET, PAGE 14

THE FIRST CONDITION FOR HONDURAN REENTRY INTO THE
COMMON MARKET IS ITS RESTRUCTURING TO ACCORD HONDURAS
THE FAIR TREATMENT IT BELIEVES WAS DENIED UNDER THE OLD
TREATY. PROGRESS TO THIS END WAS BEING MADE IN THE HIGH
LEVEL COMMISSION. ITS CONSENSUS PAPERS HAD A RING OF
OBTAINABLE OBJECTIVES IN MULTILATERAL ECONOMIC RELATIONS.

SECRET

PAGE 02 TEGUCI 01655 02 OF 04 242105Z

THE APPEARANCE OF THE DRAFT COMMUNITY DOCUMENT IN 1975
PARTIALLY REPLACED THE CONSENSUS PAPER PROCEDURE AND
RAISED IN ITS ARTICLES A COMPLEX OF NEW ISSUES, MANY
POLITICAL, FOR HLC CONSIDERATION. WE CANNOT ANTICIPATE
AT THIS TIME WHAT SUCCESS THE HLC WILL HAVE ULTIMATELY,
GIVEN THE INCOMPLETENESS OF THE INTERGOVERNMENTAL CONSULTA-
TIONS. IT DOES APPEAR THAT HONDURAS WILL PLACE ITS HOPES
IN A CACM WITH A STRONG AND BENEFICIAL (TO GOH) FOUNDATION
RATHER THAN COMMITTING ITSELF AGAIN TO A PROMISED UTOPIA.
IT IS EASIER TO CONCEIVE AND DRAFT A STRUCTURE THAN TO
MAKE IT A REALITY. ECONOFF'S AIRGRAM ON HONDURAN PROBLEMS
WITH THE CACM WAS POINTED TOWARD A SET OF QUESTIONS FOR
AN ANTICIPATED IG AND REGIONAL CENTRAL AMERICAN CASP,
BUT IT CONTAINED THE EXPLICIT AND IMPLICIT GENERAL ELEMENTS
OF PERCEIVED HONDURAN REQUIREMENTS FOR PARTICIPATION WHICH
ARE STILL VALID. THE MISSION PROPOSES TO ADD THE FOLLOWING
SENTENCES AFTER THE FIRST SENTENCE BEGINNING "HONDURAS...(CACM)".
HIGH LEVEL COMMITTEE NEGOTIATIONS MUST RESULT IN HONDURAS
OBTAINING MORE FAVORABLE TREATMENT THAN OTHER MEMBERS
COUNTRIES IN ORDER TO MAKE THE TREATY ECONOMICALLY AND
POLITICALLY SALEABLE IN HONDURAS. THIS COULD BE CALLED
CHARITY OR A POSITIVE BENEFIT/COST RATIO. THERE MUST
BE BENEFITS, NOT PROMISES, ON PRACTICAL TRADE AND FINANCIAL
MATTERS."

8. OBJECTIVE 3, PAGE 16

THE RESOURCE INPUT OF .7 REFERS TO USIS ACTIVITIES.
THE MISSION WAS FOLLOWING THE INSTRUCTIONS CONTAINED IN
PARAGRAPH 11 OF A-272 OF JANUARY 15, 1975 WHICH STATED
THAT "NO SYMBOL WILL INDICATE THAT THE ACTION WOULD BE
FUNDED FROM OTHER APPROPRIATED FUNDS." USIS ACTIVITIES,
WITH THE EXCEPTION OF CU, WOULD COME WITHIN THAT CATEGORY.
THEREFORE, ALL RESOURCE INPUTS WHICH ARE UNMARKED RELATE
TO USIS ACTIVITIES (SEE YOUR QUESTION IN PARA. 2, PAGE 21,
ANTICIPATED CHALLENGES OR OPPORTUNITIES). THE ONLY
EXCEPTION TO THIS ARE THE UNIDENTIFIED AMOUNTS IN
OBJECTIVES 1 AND 2 IN THE ACTION PLAN ON PAGE 22 OF THE

CASP. THESE AMOUNTS RELATE TO PEACE CORPS AND USIS ACTIVITIES.

9. U.S. ECONOMIC PROSPERITY, PAGE 16

SECRET

PAGE 03 TEGUCI 01655 02 OF 04 242105Z

HONDURAS IS A SIGNIFICANT SUPPLIER OF US BANANA IMPORTS. REDUCED PRODUCTION FOLLOWING HURRICANE FIFI PROBABLY HAD PRICE EFFECTS IN THE US MARKET, BUT REENTRY OF PRODUCTION IN JUNE/JULY 1975 WILL INCREASE TOTAL SUPPLY, AND PRICES SHOULD DECLINE IN THE US. HONDURAN LUMBER EXPORTS TO THE US, OTHER THAN TROPICAL HARDWOODS WHICH HAVE A STABLE MARKET, ARE NOT OF TRADITIONAL IMPORTANCE. WE ARE CONCERNED WITH U.S. INVESTMENT IN FIRMS INVOLVED IN BANANA AND LUMBER PRODUCTION IN HONDURAS AND THAT MATTER IS TREATED.

10. SERVICES TO EXISTING AND POTENTIAL U.S. INVESTORS,
PAGES 16 AND 17

THE MISSION PROPOSES INSERTION OF THE FOLLOWING AFER "WXPROPRIATION CLAIMS" IN FIRST PARAGRAPH ON PAGE 17: "EXPROPRIATION ACTIONS HAVE BEEN INITIATED UNDER THE AGRARIAN REFORM LAW OF 1975, AND BOTH UNITED BRANDS AND STANDARD BRANDS HAVE BEEN NEGOTIATING NON-CONTENTIOUSLY WITH THE GOH. HOWEVER, THE LANDS SO FAR BEING DISCUSSED ARE NOT ESSENTIAL TO THE COMPANIES, WHICH COULD CONTINUE EXPORT OPERATIONS. NONETHELESS POLITICAL CONDITIONS COULD CHANGE, PLACING THE COMPANIES UNDER PRESSURES TO GIVE UP ESSENTIAL PROPERTIES. THIS COULD LEAD TO REQUESTS FOR USG ASSISTANCE CONCERNING EVALUATION, BUT PROBABLY NOT COMPENSATION, WHICH IS PROVIDED FOR UNDER THE CURRENT LAW. THERE IS A PRIMA FACIE CASE THAT THE COMPANIES HAVE A VIABLE ECONOMIC REASON FOR BEING IN HONDURAS BECAUSE OF THE MANAGERIAL, MARKETING, AND TECHNICAL CAPACITIES THEY CONTRIBUTE TO HONDURAN EXPORTS. THESE CAPACITIES WILL BE A SUPPORT TO THE ECONOMIC DEVELOPMENT ASPIRATIONS OF HONDURAS UNTIL SUCH TIME THAT THESE ADVANTAGES ARE OUTWEIGHED BY PERCEIVED POLITICAL OBJECTIONS TO THE PRESENCE OF THE COMPANIES. IN ANY CASE, THE EVENTS OF THE PAST YEAR IN LABOR RELATIONS, THE BANANA EXPORT SURCHARGE, AND THE POLITICAL CLIMATE HAVE REDUCED THE COMPANIES' LONG-TERM INTEREST IN HONDURAS AS A PLACE TO PRODUCE. THE RECENT UNITED BRANDS BRIBERY CHARGES HAVE FURTHER CLOUDED THE FUTURE PROSPECTS OF THE COMPANIES IN HONDURAS, AFJWTHEIR FULL IMPACT CAN NOT YET BE
SECRET

PAGE 04 TEGUCI 01655 02 OF 04 242105Z

ACCURATELY ASSESSED." (END PARAGRAPH).
(START NEW PARAGRAPH WITH "HONDURAS...GOVERNMENT."
AND INSERT FOLLOWING SENTENCES) "THE GOH HAS FINANCED

ALL OF ITS IMMEDIATE AND PART OF ITS LONG-TERM DEVELOPMENT

SECRET

PAGE 01 TEGUCI 01655 03 OF 04 242129Z

72

ACTION ARA-06

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S E C R E T SECTION 3 OF 4 TEGUCIGALPA 1655

LIMDIS

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PROGRAM THROUGH THE IFIS. IT CONTROLS THE DIRECTION OF PRIVATE SECTOR CREDIT THROUGH CENTRAL BANK REGULATIONS OF THE PRIVATE FINANCIAL SECTOR. IT IS APPARENTLY NOT INTERESTED IN OR GIVES LOWER PRIORITY TO PROVIDING CONDITIONS WHICH WOULD STIMULATE NEW HONDURAN PRIVATE SECTOR PRODUCTIVE INVESTMENT. THESE MISSING CONDITIONS APPLY EQUALLY TO FOREIGN INVESTMENT WHICH MUST ALSO TAKE ACCOUNT OF NATIONALISTIC TRENDS."

(START NEW PARAGRAPH "THERE...PROJECT.")

11. ANTICIPATE CHALLENGES OR OPPORTUNITIES, PAGE 17

AMBIGUITIES IN ECONOMIC POLICY ARE: A) THE ACCEPTANCE OF BENEFICIAL NATION STATUS UNDER THE U.S. TRADE ACT OF 1974, WHILE SUPPORTING VENEZUELA'S POLITICAL ATTACK AGAINST THE ACT; B) THE GOH SOUGHT INCREASED QUOTAS OF MEAT IN THE U.S. MARKET WHILE PROMULGATING AN AGRARIAN REFORM LAW WHICH REDUCES INCENTIVES TO THE MEAT EXPORTERS AND CATTLE RAISERS; C) THE GOH APPLIED AND INSISTS UPON A BANANA SURCHARGE UNDER CONDITIONS OF WORLD OVER-SUPPLY AND THUS ENCOURAGES BANANA PRODUCTION INVESTMENT OUTSIDE OF HONDURAS; AND D) THE GOH NATIONALIZED CONTROL OF THE LUMBER INDUSTRY, APPLIED A 51 PERCENT HONDURAN OWNERSHIP RULE, AND IMMOBILIZED PRIVATE EXPORTERS AT A TIME OF DECLINING WORLD PRICES AND INCREASING INTERNATIONAL COMPETITION

SECRET

PAGE 02 TEGUCI 01655 03 OF 04 242129Z

FOR MARKETS, THIS LOSING SALES, INVESTMENT, AND FOREIGN EXCHANGE REVENUE.

12. SIGNIFICANCE OF CHALLENGES AND OPPORTUNITIES, PAGE 17

U.S. INVESTORS ARE DISINVESTING IN LUMBER, BANANAS, AND FINANCE (CHASE MANHATTAN BANK SOURCE). RELATIVE TO THE VENEZUELAN INITIATIVE, WE SEE HONDURAS SEEKING TO AVOID BAD RELATIONS WITH EITHER THAT COUNTRY OR THE U.S. BECAUSE OF ITS DEPENDENCE ON ASSISTANCE. THEREFORE, HONDURAS WILL LISTEN ATTENTATIVELY TO ANY U.S. POSITION (OR A VENEZUELAN POSITION) ASKING FOR SUPPORT IN INTERNATIONAL FORA AND THEN ATTEMPT TO STRADDLE THE ISSUE, AS IN THE CASE OF THE U.S. TRADE ACT. WE PRESUME THAT THE "VENEZUELAN INITIATIVE" MUST BE TREATED IN ITS TOTALITY IN U.S. POLICY AS IT AFFECTS CENTRAL AMERICA AND LATIN AMERICA. FURTHER, THERE IS LITTLE VALUE IN SUGGESTING A CASP POSITION CONCERNING VENEZUELA IN HONDURAS IN ISOLATION FROM AN OVERALL U.S. POSITION ON OPEC. WE CONSIDER THAT THIS IS A MATTER FOR A WASHINGTON POLICY DECISION.

13. U.S. NATIONAL DEFENSE, PAGE 18

THE MISSION BELIEVES THAT, AS DESCRIBED IN OUR LONG-TERM INTEREST STATEMENT, THE USG HAS A CLEAR INTEREST IN HONDURAS' STABILITY AND, IN EXTENSION, THE CENTRAL AMERICAN AREA. HONDURAS IS PRESENTLY RULED BY A GOVERNMENT CONTROLLED BY THE MILITARY ESTABLISHMENT. THE AMBASSADOR'S LETTER TREATS THE RELATIONSHIP OF OUR POLICIES WITH THAT MILITARY ESTABLISHMENT, AND THE MEANS OF ENDEAVORING TO INFLUENCE THE MILITARY TO ADOPT POLICIES SUPPORTIVE OF SUCH U.S. INTERESTS AS STABILITY. IN OUR VIEW, THE EMERGENCE OF A GOVERNMENT IN THIS AREA WHICH WAS NOT FAVORABLY DISPOSED TOWARD THE U.S. COULD HARDLY BE VIEWED BY THE U.S. AS OTHER THAN A THREAT TO THE STABILITY OF THE AREA.

14. MAINTENANCE OF FAVORABLE DISPOSITION TOWARDS THE U.S., PAGES 18 AND 19

THE QUESTION OF MILITARY ASSISTANCE AND PLITICAL INFLUENCE IS TREATED AT LENGTH IN THE AMBASSADOR'S LETTER. PART OF THE MILGP'S MISSION IS TO ADVISE AND ASSIST HONDURAS IN DEVELOPING A PROFESSIONAL AND EFFICIENT MILITARY
SECRET

PAGE 03 TEGUCI 01655 03 OF 04 242129Z

ESTABLISHMENT. THE PROBLEMS INVOLVING LOGISTICS, TRAINING, MAINTENANCE AND OPERATIONS WITH HETEROGENEOUS EQUIPMENT PRESENT ARE CLEAR. THE HONDURAN MILITARY ESTABLISHMENT WISHES TO DEVELOP A MODERN, PROFESSIONAL FORCE UTILIZING STANDARD EQUIPMENT. IF THE U.S. DOES NOT HELP THEM ACHIEVE THEIR OBJECTIVE IT IS OBVIOUS THAT THE ABILITY OF THE MISSION TO INFLUENCE THE MILITARY WILL DECLINE. IN ESSENCE, WE ARE RESPONDING TO THEIR DESIRES AND IN SO DOING WE MAINTAIN OUR CREDIBILITY AND INFLUENCE. THE ENTRANCE OF THIRD COUNTRY INFLUENCE WOULD HAVE A TENDENCY TO REDUCE HOST COUNTRY DEPENDANCE ON U.S. ASSISTANCE

AND ADVICE. SUCH A SITUATION COULD LEAD TO A LOSS OF
U.S. INFLUENCE WITH THE HONDURAN MILITARY ESTABLISHMENT
AN CONSEQUENTLY OOUR INFLUENCE OOVER GOVENMENTAL DESICIONS
AFFECTING U.S. INTERESTS. WE BELIEVE SUCH A SITUATION
WOULD NOT BE CONSISTENT WITH ACCEPTED U.S. FOREIGN
POLICY OBJECTIVES.

15. ANTICIPATED CHALLENGES OR OPPORTUNITIES, PAGE 21

IT IS WELL UNDERSTOOD THAT ALL THE EFFECTS OF SOCIO-
ECONOMIC CHANGE UPON POLITICAL DEVELOPMENT CANNOT BE
PREDICTED. HOWEVER, IT IS THE MISSION'S VIEW THAT THE
LACK OF SOCIO-ECONOMIC PROGRESS IN HONDURAS WOULD BE
A FACTOR CONTRIBUTING TO POLITICAL INSTABILITY.

16 THE MISSION SUGGESTS ELIMINATION OF THE PRESENT
ALTERNATIVES IN ISSUE NO. 3 FOR REPLACEMENT WITH THE
FOLLOWING:

"ALTERNATIVES:

1. THE USG COULD SIGNIFICANTLY REDUCE ITS BILATERAL
AID PROGRAM BECAUSE THE MILTILATERAL FINANCIAL AGENCIES
HAVE PROGRAMMED INCREASED LEVELS OF ASSISTANCE. SUCH
A DECISION WOULD AFFECT THE FUTURE COURSE OF DEVELOPMENT
ASSISTANCE TO THE DETRIMENT OF HONDURAS, NOT SO MUCH
BECAUSE FEWER RESOURCES WOULD BE CHANNELLED TO HONDURAS,
BUT RATHER BECAUSE THE LARGE MULTILATERAL INCREASES
ARE SCHEDULED FOR LARGE INFRASTRUCTURE ND INDUSTRY
PROJECTS THAT DO NOT GIVE DIRECT ASSISTANCE TO THE POOREST
MAJORITIES.

SECRET

PAGE 04 TEGUCI 01655 03 OF 04 242129Z

2. THE USG COULD CHANGE THE DIRECTION OF ITS AID PROGRAM
BY CONCENTRATING ON IMPROVING PUBLIC ADMINISTRATION ACROSS
THE BOARD. WEAK ADMINISTRATION IS RECOGNIZED TO BE THE

SECRET

PAGE 01 TEGUCI 01655 04 OF 04 242108Z

72
ACTION ARA-06

INFO OCT-01 SS-14 ISO-00 SP-02 PM-03 L-01 INR-05 INRE-00

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S E C R E T SECTION 4 OF 4 TEGUCIGALPA 1655

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MAJOR IMPEDIMENT TO IMPROVED DEVELOPMENT PROGRAMS. THIS WOULD IMPLY A LARGE REDUCTION IN CAPITAL ASSISTANCE OVER THE CASP TIME FRAME. THIS ALTERNATIVE WAS REJECTED ON THE BASIS THAT AID COULD BETTER USE ITS RESOURCES BY IMPROVING ADMINISTRATION IN THE SELECTED PRIORITY AREAS DICTATED BY A PROGRAM FLOWING FROM THE CONGRESSIONAL MANDATE. SUCH IMPROVEMENTS, HOWEVER, HAVE TO BE COMBINED WITH CAPITAL ASSISTANCE BECAUSE COUNTERPART INSTITUTIONS NEED ON THE JOB EXPERIENCE IN SOLVING REAL (NOT TEXTBOOK) PROBLEMS.

3. THE THIRD ALTERNATIVE IS TO HAVE A HIGHER OR LOWER LEVEL OF RESOURCES DEDICATED TO A PROGRAM OF ESSENTIALLY THE SAME PROFILE AS THE RECOMMENDED PROGRAM. A SIGNIFICANTLY HIGHER LEVEL OF RESOURCES PROBABLY WOULD STRAIN BOTH GOH AND MISSION IMPLEMENTING CAPACITIES. A SIGNIFICANTLY LOWER LEVEL OF RESOURCES WOULD NOT BE RESPONSIVE TO THE CONGRESSIONAL GUIDELINES THAT CALL FOR ATTENTION TO THE POOREST COUNTRIES, ESPECIALLY THOSE MOST SERIOUSLY AFFECTED BY PETROLEUM IMPORT PRICE INCREASES."

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